



United Community
Housing Coalition

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May 22, 2013

Representative Jeff Farrington
Chair Tax Policy Committee
Michigan House of Representatives

I would like to thank the committee for the opportunity to speak today in support of HB 4409 to allow local county treasurers to reduce interest from 18% to 12% for homeowners who are behind in their taxes.

My name is Ted Phillips and I am the Executive Director of the United Community Housing Coalition. The Housing Coalition in partnership with Michigan Legal Services has provided, for the last eleven years, tax foreclosure counseling to Wayne County homeowners who were facing tax foreclosure. We have assisted over 13,000 households and nearly 100 churches, small non-profits and small businesses during this time. We do not assist investors in rental property.

We have worked cooperatively with the Wayne County Treasurer's office and regularly receive many referrals from them. We work with homeowners in a variety of ways. We assist them to obtain extensions to pay, develop payment plans, correct assessments, provide funds to assist with payments, and more importantly, budget counseling to help families save enough to avoid foreclosure.

Last year we made payments of over \$800,000 to the Wayne County Treasurer in funds clients had saved with us and in funds we raised to help them. Other clients who paid their taxes directly after receiving our help, paid many thousands more.

We receive no funding from the Wayne County Treasurer. We work in tandem with the Wayne County Treasurer to obtain information and advocate on behalf of residents. While we are generally able to reach agreement on the best approach for resolving a tax issue, there are times when we must respectfully agree to disagree. On HB 4409 however, there is no disagreement. The Wayne County Treasurer supports the bill and we do as well.

The Wayne County Treasurer supports this bill because he knows that the added interest often puts tax obligations out of reach and contributes to forcing people out of their homes. Vacant homes in distressed communities are often stripped and of no benefit to anyone. It simply does not help the county to have a tax bill they cannot collect on a home that they also cannot even sell.

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We support the bill because of the countless homeowners who come to our office every week struggling to pay their property taxes, desperately wanting to save their homes. These are people who raised their children in that home; people who tell me stories of how proud their parents were when they bought it 40 or 50 years ago. For some it was their first home. For others, it was their first "nice" home in a good neighborhood with a good school for their children. The fact that the home might now be underwater for property taxes doesn't matter to them. They are not going to walk away from their neighborhoods or from their homes. They will pay everything they can to save their homes, but they just need a little help. It is not uncommon to find homeowners in tax foreclosure with penalties and interest that are equal to 50% or more of their original base tax on the home.

Homeowners are behind in their taxes for a variety of reasons: lack of income due to loss of employment is a major cause, but not the only one. Problems with property that is over-assessed, water bills added to the taxes (sometimes wrongfully), the lack of a principle residency exemption or of having the PRE mistakenly removed are often contributing factors to the plight of various homeowners. This bill does not solve every problem, but at least it gives the county treasurers another tool to use to help keep homeowners in their homes and to improve the collection of taxes in distressed communities, which benefits everyone.

I recognize that the entire state is not Wayne county and some county treasurers may not exercise their option to reduce the interest as it may not be needed in their communities. However having conducted MSHDA sponsored tax foreclosure workshops, most recently at their annual Affordable Housing Conference, I can tell you that the problem of the 18% interest rate and tax foreclosure is not just a Wayne County problem. It is just much larger there. The bill before you, however, provides the County Treasurer with the option of waiving the additional interest and it therefore allows local communities with greater flexibility to decide what works best for them.

There is no down side to this legislation. Counties that need it, can use it. Those that don't, will not be required to use it. For homeowners in particularly distressed areas of the state it will finally provide some desperately needed relief. I urge your support of this bill.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ted Phillips", is written over the word "Sincerely,".

Ted Phillips
Executive Director